

THE CIRCLE OF SAFETY **RENTAL CARS: DO YOU REALLY NEED THEIR** **INSURANCE?**

By Amy Vollmer, CSC Insurance Options Personal Insurance Manager

What you'll discover in this report:

- **Straight answers to the nagging questions about Rental Car Insurance**

You've just started your vacation. You've arrived at your destination, collected your luggage, and are in the process of renting a car. You've given the person behind the counter your driver's license and credit card, and now you are being asked if you want to buy "coverage" from the rental car company.

Do you need it? Probably not, but how can you be sure? The best way is to be prepared and know the answer to this question before you leave on your vacation.

So why shouldn't you buy insurance from a rental car company? The person behind the counter is (usually) not a licensed insurance professional. He or she is not conversant with insurance laws and whether your own personal auto policy covers you when you rent a vehicle (in most circumstances, it does).

Some rental car company personnel may say you are required to buy the coverage (not true) or you will be personally liable for any damage to the car while you're renting it (most likely, not true).

This Coverage Is Incredibly Expensive

*** Fact. While it's true you could be making a costly mistake if you need the rental car coverage and don't buy it, you're also making a costly mistake if you buy it when you don't need it.**

Rental car insurance is incredibly expensive. On a daily basis, which is how it is sold, the rental car coverage can cost 10 to 20 times more than your personal auto policy. If you buy all the coverages offered by the rental car companies, you could easily double the daily cost of your rental vehicle.

So who needs to buy the rental car coverage? Well, here's who doesn't. If you have insurance for your own cars, including collision and comprehensive coverages, you don't need the rental car insurance – provided you are not renting the vehicle for business purposes.

If you're on vacation, no problem. Just say no. If you're on vacation but planning to do some business, you're probably OK. But you should talk to your auto insurance agent if you mix business and pleasure on the trips where you rent cars.

* **Note.** Your collision and comprehensive coverages on your personal auto policy have deductibles (the amount you must pay before the insurance kicks in). Those deductibles apply to damage to rental cars as well.

What if You Don't Carry Collision Coverage?

So what happens if you don't carry collision and comprehensive coverages on your own cars? Many people don't, particularly if they have vehicles that are at least 10 years old.

* **Note.** If you don't have collision and comprehensive, your personal auto policy won't cover damages to the rental car if it is in an accident, stolen, vandalized, collides with an animal or burns.

So what should you do? You can risk it, not buy the rental car company's collision damage waiver (CDW) or loss damage waiver (LDW), and hope you don't have an accident or encounter anything that damages the vehicle. You'll save money, but it might not do much for your peace of mind, particularly if you're driving in a strange city or area.

* **Tip.** If you're averse to risk, you probably should buy the CDW or LDW. Some rental car companies offer some options with their CDWs or LDWs. Some come with deductibles, like regular collision and comprehensive coverages, while others provide first-dollar coverage.

However, first-dollar coverage comes at a higher price. And some options limit the coverage. In other words, after a certain amount of damage to the vehicle, say \$5,000, you would be on the hook.

What if You Damage Another Vehicle When You're Renting a Car?

What about damage or injuries you cause to other vehicles and people while you're driving the rental car? If your personal auto policy includes liability insurance (most states require some level of such coverage), your policy will pay for any damage or injuries you cause to other cars or people – up to the limits of the policy, of course.

* **Note.** If you are comfortable with the amount of liability coverage you have for your own cars, you don't need to buy additional liability insurance for vehicles you rent.

If you don't have liability coverage – if you don't have a car, you're probably not going to carry auto insurance – you actually may not need to buy the rental car company's liability policy, either.

Most states require rental car companies to provide some liability coverage to you at no charge. The limit of the free liability coverage is equal to the state's minimum liability limits.

Is this enough? Probably not, and certainly not if you cause a serious accident.

The minimum liability limit requirements are something like no more than \$15,000 for injuries to any one person, no more than \$30,000 for injuries to all persons, and no more than \$5,000 for damage to the vehicle(s) you hit. That's not much at all.

* **Tip.** If you have any assets to protect, you should strongly consider purchasing the rental car company's liability coverage, which costs \$7 to \$15 a day depending on the state and level of coverage you choose. Higher liability limits mean higher daily costs.

If you have any concerns about whether you need to buy the coverages offered by rental car companies, **you should talk to your auto insurance agent.** The rental car coverages can double your daily rate. That's a lot to pay for something you don't need.

Be a smart consumer...but don't try to be your "own agent." Protection for you and your family requires constantly vigilance....and a partnership between you and your professional agent. For the latest information on how to save money AND get the best protection for yourself and the people you care most about **call CSC Insurance Options at 724-929-2300 or 1-800-734-2727.**